Oklahoma Incentive Evaluation Commission

Incentive Evaluation Update

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Today's Agenda

- Discussion of activities since the last Commission meeting.
- Observations from the incentive evaluation working drafts.
- Timeline for the incentive evaluation process.
- Next steps.
- Discussion of SB 1990's effect on the incentive evaluation process.

Introduction

The following are the 10 incentives under review in 2026:

- Computer Services & Data Processing Exemption
- Oklahoma Affordable Housing Act
- Construction Materials Tax Exemption
- Credit for Investments in Clean-Burning Fuel or Electric Vehicle Property
- Ethanol Fuel Retailer Tax Credit
- Tax Deduction for Eligible Investors
- Capital Gain Deduction
- Pooled Finance
  - Business Expansion Incentive Program (BEIP)
  - Oklahoma Innovation Expansion Program (OIEP)
  - Public Private Partnership Program (P3)
- Quick Action Closing Fund
- Strategic Industrial Development Enhancement Act (SIDE)

Activities since the March Commission meeting

- Data and information request was submitted to the internal administering agencies in early April.
- Worked with the administering agencies to complete the data request. There are a few remaining follow-on items, but they are progressing and nearly all complete.
- On-site internal stakeholder meetings were held in April and June.
- External stakeholder MS-Teams virtual meetings with the State Chamber and local Chambers of Commerce were held in July.

2026 Incentive Evaluation Working Drafts

- Non-public working drafts were provided to the Commission members on August 14th and 17th.
- Working drafts contain no findings or recommendations, and they do not include an economic impact analysis.
- They typically contain about two-thirds of the final content of the draft evaluations, which are public and due on or before October 1, 2026.
- The working drafts provide another opportunity for the Commission members to familiarize themselves with each incentive prior to the evaluations arriving on or before October 1st.
- Working drafts have been provided by the project team for several years but was not required by statute. The 2023 statutory revisions made a working draft part of the Commission consultant’s required deliverables.

Incentive Evaluation Project Team Observations

- Computer Services and Data Processing Exemption:
  - Oklahoma's growth in data center establishments since 2015 has outpaced the national average (13.5 percent vs 12.1 percent).
  - 35 exemptions have been issued since 2014, with 80% of exemptions being issued since 2019.
  - Exemption usage has not been constant, with some years (2016-2017) seeing zero exemptions and others (2019) seeing a high of 8 exemptions.

- Oklahoma Affordable Housing Act
  - Approximately $19.6 million in state affordable housing tax credits were issued between 2021 and 2025, resulting in 27 projects and 3,518 housing units.
  - The price per unit developed as a result of the tax credit has decreased since 2021, from $6,561 per unit to $5,832 per unit.
  - Of the 3,518 units developed, 89 percent (3,123 units) are new construction and 11 percent (395 units) are for acquisition/rehabilitation.

Incentive Evaluation Project Team Observations (continued)

- Construction Materials Tax Exemption:
  - From 2016 to 2025, one manufacturer qualified for and took the exemption
  - In 2023, a total of $580,724 in taxes was exempted for this manufacturer
  - It is likely many qualified businesses choose to enroll in the Quality Jobs Program instead of claiming the construction materials tax exemption, as the estimated benefits of Quality Jobs is much more generous than the tax exemption.

- Credit for Investments in Clean-Burning Fuel or Electric Vehicle Property:
  - From 2015 to 2023, total claims declined from $39.3 million in 2015 to $26.9 million in 2023, or a CAGR of -4.6 percent.
  - During the same period, total number of claimants similarly declined, from 701 in 2015 to 462 in 2023 (a CAGR of -5.1 percent).
  - Across this period, the average amount used to reduce tax liability was $9.7 million, or $22,735 per claimant.

Incentive Evaluation Project Team Observations (continued)

- Ethanol Fuel Retailer Tax Credit:
  - Since 2013, Oklahoma has provided $16.8 million worth of tax credits for ethanol fuel retailers, with an average of just under $1.3 million in credits per year.
  - Overall program usage has steadily declined since 2013, with $947,541 worth of credits issued in 2025 and $1.4 million issued in 2013 (a CAGR of -3.3 percent).
  - The average claim per company has also slightly declined, from $34,739 in 2013 to $25,609 in 2025 (a CAGR of -2.5 percent).

- Tax Deduction for Eligible Investors:
  - Authorized for tax years 2022 through 2026 and extended through 2031 by HB 4028 (2026).
  - Program usage cannot be quantified, as the deduction was not a separate tax return line until 2024.
  - Administration transferred from Commerce to OCAST in 2025, and as of August 2026 OCAST had received no program inquiries.

Incentive Evaluation Project Team Observations (continued)

- Capital Gain Deduction:
  - In 2024, 16,863 returns claimed the deduction, within the 16,000 to 18,600 range seen since 2021; the amount deducted more than doubled to $3.1 billion.
  - From 2019 to 2024, filers with federal AGI above $1.0 million were 4.8 percent of returns but claimed 62.5 percent of the amount deducted.
  - PFM recommended repeal in 2021; the Commission directed an interagency task force instead, and no statutory changes followed.
- Pooled Finance contains three separate programs:
  - Business Expansion Incentive Program (BEIP)
  - Oklahoma Innovation Expansion Program (OIEP).
  - Public Private Partnership Program (P3)

Incentive Evaluation Project Team Observations (continued)

- BEIP
  - The number of projects approved for BEIP funds has significantly increased over the past several years, from 7 awards in 2021 to 45 awards in 2025.
  - Between 2020 and 2025, BEIP provided $230.2 million in funding to support $1,762.9 million in capital investment (7.66x leverage). These investments supported the planned creation of more than 7,400 new jobs.
- OIEP
  - Since 2020, funding awarded under OIEP has increased by a compound annual growth rate of 13.1 percent, with a total of $61.7 million in funding provided, supporting more than $300.7 million in private capital investment.
  - Capital investment associated with OIEP has supported the creation of over 4,000 new jobs in the state, with an average wage of $51,600 in 2025.
- P3
  - Between 2020 and 2025, P3 provided $105.2 million in award funding to support $480.2 million in infrastructure investments across 28 counties in Oklahoma.
  - Across this period, more than 90 percent of awards were associated with a private sector partner in the services industry. Additionally, rough 30 percent of awards were made in Northeast Oklahoma.

Incentive Evaluation Project Team Observations (continued)

- Quick Action Closing Fund:
  - Between 2021 and 2025, firms receiving $22.9 million in QACF funding were anticipated to leverage $1,451.4 million in capital investment and create more than 3,600 new jobs.
  - Since the previous evaluation cycle, clawback provisions have been enforced in instances where award funds were paid upfront and the recipient ended up not proceeding with the planned project or investment as originally described.
- Strategic Investment Development Enhancement (SIDE) Act
  - While ostensibly targeted at smaller counties' industrial parks, economic development zone, or ports, it has supported Tulsa and Oklahoma county projects when located adjacent to a terminal, switching, or Class II or III railroad.
  - The program has very strong leverage, with funded projects having anticipated expenditures of $324.5 million and SIDE Act allocations of $32.4 million.
  - SIDE Act average award to date (23 projects) is approximately $1,475,000, and the median award is $1,050,000.
  - There are smaller awards as well – one for approximately $78,000 and another for approximately $83,000.

Next Steps

- The project team is available to answer any questions or comments from the Commission members related to the submitted working drafts.
- The draft evaluations will be provided to the Commission by October 1st (which is a Thursday).
- PFM will present the findings and recommendations from the draft evaluations at the Commission meeting on October 8th.
- As in past years, PFM will be present at the public hearing (October 22nd).
- PFM will then provide final evaluations to the Commission.
- PFM will be available to answer questions/make comments at the Commission's decision-making meeting on November 12th.
- PFM will also prepare the draft report on changes to incentives resulting from Commission recommendations at the November meeting, which is moved up from past years, where it was presented at the December meeting.

Legislative Changes to the Incentive Evaluation Process

- In April 2026, the Legislature enacted and the Governor signed into law SB 1990.
  - The bill was effective August 13, 2026, and thus impacts on for this year's evaluations.
- SB 1990 revised the incentive evaluation statute in five substantive ways.
  - Requires the Commission's **reports to be transmitted electronically** and adds the Secretary of State to those who receive the reports. *[Easy to implement]*
  - Requires each evaluation to **contain a 'but for test'** (would the business have done the same things without the incentive) analysis. *[Already considered, difficult to quantify]*
  - Adds a comparison of results of other incentives or economic development strategies **in other states** as well as Oklahoma. *[Will have to rely on third party evaluations, already done}*
  - Adds an assessment of "whether an incentive **furthers a strategic economic goal or an industry** within Oklahoma." *[Useful addition to the evaluation requirements]*
  - Adds an assessment of "whether the incentive **creates a competitive advantage** for Oklahoma by evaluating the overall effectiveness of the incentive **at a macroeconomic level**." *[For many incentives, it will be difficult to demonstrate a comparative advantage at the macroeconomic level – much more likely at the microeconomic level]*
- There may be a need for additional dialogue with the legislative sponsors/champions.

Questions and Discussion